

Mr. Moderator, distinguished guests, seminar participants, ladies and gentlemen

I am delighted and honored by the opportunity to address this seminar as part of the celebrations for ITTO's 25th anniversary. Let me start by congratulating my good friend Emmanuel Ze Meka, ITTO's Executive Director, for conceiving and organizing this important event.

I doubt that anyone involved in the creation of the original International Tropical Timber Agreement back in 1983 could have predicted what ITTO, the organization that the agreement brought into being, would become. I wonder, too, if any of those negotiators – who, I point out, include my two co-speakers in this session, Kotari-san and Dr. Freezailah – fully appreciated at the time the full depth of their achievement. They created a unique agreement, the like of which had not been seen before and has not been seen since.

The ITTA, 1983, was a commodity agreement with a mandate to promote the expansion and diversification of international trade in tropical timber. But, unlike any other commodity agreement, it also sought to promote the sustainable use and conservation of the resource from which the commodity was extracted – tropical forests. It was possibly the first international treaty to explicitly promote both development and conservation – what has become known as sustainable development.

ITTO soon realized that one of the keys to its work was sustainable forest management, because this offered the possibility of using tropical forests for socioeconomic development while simultaneously conserving them. ITTO has

therefore devoted a great deal of effort and financial resources to defining the sustainable forest management concept and implementing it on the ground – that is, putting policy into practice, which is one of the Organization’s defining attributes.

Mr. Chairman, the Executive Director, Kotari-san and Dr Freezailah have done outstanding jobs in relating ITTO’s history and achievements, and there is not much I can add to their clear and eloquent presentations. I congratulate all three for being major protagonists in the history of ITTO. To a very large extent the Organization owes its success to the wisdom, dedication and commitment to tropical forests that they and, of course, many others have shown over the last 25 years.

You will find comprehensive information on ITTO’s success story in the upcoming “25 Success Stories” report we heard about this morning as well as the Organization’s 10-year and 20-year reports, copies of which I am sure are available from the Secretariat on request. Moreover, Duncan Poore’s book, *Changing Landscapes*, in which he critically reviews the development of ITTO and its influence on tropical forest management, offers, in my view, the best independent assessment of the Organization’s achievements to 2003, when the book was published.

It also addresses ITTO’s shortcomings, some of which are even more acute today. What are they?

As Duncan states, “it is abundantly clear that (without greatly increasing funds) the poor countries cannot afford to make the necessary investments in organizational capacity, trained personnel and infrastructure to bring their forests under truly sustainable management”. Duncan concludes that ITTO’s

inability to attract funds at the scale required is its fundamental weakness.

Of course, we often hear that markets should be the main drivers of sustainable forest management by providing the required investment. But this is not happening at the necessary scale, as indicated by the loss of around 300 million hectares of tropical forests since ITTO's inception. Market forces are actually driving deforestation in the tropics.

On this crucial issue, I beg your indulgence to recall the views that while, representing ITTO, I shared with a high-level ministerial meeting on financing for sustainable forest management, which was convened at the Second Session of the United Nations Forum on Forests in 2002.

On that occasion I asked why investors were eager to commit money to forest plantations but extremely reluctant to finance the sustainable management of natural tropical forests.

The answer, as most of you know, is that natural tropical forests are not competitive in the supply of marketable products. For example, natural tropical forests are not efficient producers of timber or income from timber because:

- They offer a very low yield of timber per hectare per year compared with plantations;
- They are heterogeneous, in contrast to many forests in the temperate and boreal zones, while plantations can be established with the best available and relatively uniform genetic stock; and
- Many other forests for timber production are supported by subsidies worth several billion dollars annually.

But what do natural tropical forests do well? In particular, they offer an unparalleled service in biodiversity conservation. The trouble is, biodiversity is not remunerated by the markets: most often biodiversity becomes a cost – because of the extra management required to maintain it – rather than a cashable asset.

Tropical forests also receive no payment for the maintenance of their huge carbon stocks. Since this issue is the current darling of the international community, I will return to it a little later.

Compounding the problem for tropical forests is that conversion to other land-uses such as rubber and oil-palm plantations, cattle-raising and annual agricultural crops such as soybeans and cotton is much more profitable than sustainable forest management. This is the market-based driver of deforestation to which I referred earlier.

The meager development assistance provided by developed countries in the last 25 years has barely made a dent in the problem of a lack of finance for the sustainable management and conservation of tropical forests. It is a drop in the ocean compared with the money that can be made from deforestation and forest degradation.

If markets and development assistance are not working, what about the governments of the tropical forest countries themselves? Surely they are best placed to oversee the introduction of sustainable forest management. But most of these countries are still developing and their governments generally have more pressing needs to attend to, such as feeding the poor and improving health and education services.

Nevertheless, those governments know that, ultimately, they will need to bear a significant share of the cost of forest conservation and sustainable forest management. Already we see that governments in many ITTO producer countries are substantially increasing the funds for protecting their permanent forest estates, as reported in the most recent ITTO assessment of the status of tropical forest management. In Brazil, for example, the federal government alone is investing nearly 150 million reais per year in forest management, administration, research and human resource development. In Malaysia, total annual national and subnational government funding for sustainable forest management is about US\$139 million. But these are two of the wealthier tropical countries, and many others have very little to spend on forests.

Nevertheless, progress is being made. Overall in the tropics, the area of natural tropical forest under sustainable management increased by about 17 million hectares between 2005 to 2010, to a little over 50 million hectares, although this is still only about 7% of the total permanent forest estate in the tropics.

It is extremely encouraging that by now most people outside the tropics agree that we need to retain most of the remaining tropical forest because of its important role in the global carbon cycle and because it contains half of the world's terrestrial biodiversity.

There is no doubt that the cheapest way to substantially reduce carbon emissions is to arrest deforestation in the tropics. On the topic of biodiversity, even people with no emotional feelings about species' extinctions agree that a precautionary approach is best, and that we should not destroy biodiversity before we even

know what we've got. We should not underestimate the importance of biodiversity for the future of our own species; its continued loss is surely a massive danger.

Given their global importance, the costs of maintaining carbon stocks and conserving biodiversity in tropical forests should be shared globally. Those in the international community in a position to pay, ought to pay.

This brings us back to the future of ITTO and what I see as its priority for at least the next decade. The Organization's core focus should not change: ITTO must continue to promote and support the sustainable management of natural tropical forests, including sustainable timber production, and focusing on the roles tropical forests play in the carbon cycle and biodiversity conservation. No other international organization has this as its primary focus: ITTO is dedicated to it and has 25 years of experience on which to call. In its 25 years ITTO has established solid working relationships with dozens of organizations, both internationally and within its member countries. It has learned from its failures – by, for example, improving its project cycle – and it has achieved significant and widely acknowledged success.

Despite this, however, ITTO is suffering from a precipitous decline in funding. It is scarcely believable, for example, that the Organization's acclaimed newsletter, the Tropical Forest Update, may have to be scaled back because of a lack of funds. This situation must be reversed. At a time when the global importance of sustainable tropical forest management is escalating, a decline in the organization dedicated to it sends precisely the wrong signal – to the international community, to government officials in their national, provincial and district

offices, to company executives and their employees, and to local communities who live and work in the forests about which we talk. ITTO projects and communication products have made a difference – the drop-off in funding is being noticed, and who would blame our stakeholders if, in parallel, their commitment to ITTO's goals was also to wane?

There is a way ahead for ITTO, and I will now spend a couple of minutes outlining my views on it.

ITTO should step up its efforts to increase the area of tropical forests under sustainable management. According to ITTO's status of tropical forest management report, more than 180 million hectares of natural tropical forests are now under management plans. When we meet again to celebrate the first 50 years of our Organization, we should be able to say that the entire permanent forest estate in the tropics – some 761 million hectares – is subject to management plans that are being implemented. There is no reason why this cannot be achieved, except a lack of will and international support. If this target were to be met it would be a massive step towards bringing sustainable forest management to the entire permanent forest estate.

Within this primary objective, work should focus on at least four areas:

- First, helping member countries to bring clarity and equity to forest tenure – because problems with tenure underlie almost every forest conflict and greatly hinder sustainable management;

- Second, facilitating and promoting REDD payments, including for the carbon stocks maintained in natural tropical forests managed for sustainable timber production;
- Third, in close cooperation with the CBD and other relevant parties, developing and implementing a system by which payments can be made for the conservation of biodiversity of natural tropical forests, in a scheme similar to REDD; and
- Fourth, investing in and promoting technologies, as well as markets, that allow the use of the hundreds of tropical timber species, as well as waste, now left standing in SFM harvesting operations. Energy and synthetic oil products, for example, have a high market value and their production could significantly increase the revenues earned by sustainable forest management.

Mr. Chairman, distinguished seminar participants, I would like now to talk a little about a small group of people to whom, to a large extent, ITTO owes its past success. I speak of course of the secretariat and its past and present members. ITTO has been blessed by talented and committed individuals dedicated to a common cause, and I congratulate them for their immense contributions to the conservation and sustainable development of tropical forests over the last 25 years. I know that all current staff are conscious of the need to work even harder if sustainable forest management is to become widespread in the tropics, and I have no doubt they are eager to do so.

Being personally close to the Executive Director and his staff, Mr Chairman, I know that they reacted courageously to the earthquake, tsunami and radiation threat that rocked this great nation earlier this year, dutifully remaining in the beautiful city of

Yokohama and continuing their work in perilous and distressing circumstances. Their will and resolve reflected the extraordinary stoicism and bravery shown by the people of Japan in that terrible time, and they deserve our respect and praise.

On the other hand, Mr. Chairman, neither ITTO nor its staff can remain unaffected for much longer by the painful deterioration of the Organization's financial ability to pursue its goals. This looming financial crisis, to which I have already referred, began in the early years of this decade, when the host government initiated a drastic reduction of the voluntary funds it contributes to the Organization. The crisis continues to this day and is becoming increasingly stark, to the point where it is greatly impairing ITTO's ability to meet its challenges.

It is certainly a paradox, Mr. Chairman, that while ITTO is recognized and praised by nearly everyone as one of the most effective and efficient of all the intergovernmental organizations, with a mandate extremely important for the future of our planet, it is being denied the financial means to pursue its mission effectively. Here I would like to again invoke Duncan Poore. In his book *Changing Landscapes* he wrote: "ITTO has been influential ... out of all proportion to its size and budget. ... It has been a good international investment." Why, then, is this investment being scaled back?

For the sake of the planet, I urge members of ITTO's governing body, the International Tropical Timber Council, to take immediate action to ensure that ITTO is properly funded. This can start with two simple and almost costless actions.

First, the Council has the power to change the name of the Organization to International Tropical Forest Organization – as

proposed by Duncan Poore in Changing Landscapes – to better reflect its mandate and focus of work and especially to increase its ability to raise funds. It should do so. Second, the Council should work urgently with the host country to revert its declining funding trend and, if this reversal is not possible, to look for alternative host countries. I am sure there are many that recognize ITTO as the most effective and efficient organization promoting development and conservation of tropical forests and that also have the willingness and capacity to make a major financial contribution to its work.

I should point out that although Mr Ze Meka is my good friend I have not discussed this speech with him. I am sure that, if I had, he would have advised me to be much more diplomatic, but one of the advantages of being an ex-employee is that I am able to be blunt. It is not my intention to offend, but I do hope that by being direct about the Organization's problems I will help to stimulate an effort to give it fresh life.

Perhaps these proposals will not be acted upon; none of them will be easy. I opt, however, to side with the great philosopher from Ancient Greece, Aristotle, who said that a likely impossibility is always preferable to an unconvincing possibility. The people who negotiated the International Tropical Timber Agreement all those years ago created something unexpectedly great; achieving the seemingly impossible happens more often than we think. All it takes is a vision of a better future and the commitment of a few good people. I see good people here today and I therefore have hope for the future.

Thank you all for your time and patience.